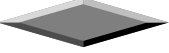


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Wednesday, May 16, 2018**



The Board of Administration met on Wednesday, May 16, 2018 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:00 a.m. and the following members were present:

Priya Mathur, President
Rob Feckner, Vice President
Margaret Brown
Steve Juarez for John Chiang
Richard Costigan
Richard Gillihan
Henry Jones
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Dana Hollinger

AGENDA ITEM 3 – PRESIDENT’S REPORT

President Mathur provided a preview of the upcoming July Board Offsite Meeting in Concord, California.

President Mathur also reported on the 2018 Board self-evaluation.

AGENDA ITEM 4 – EXECUTIVE REPORT

a. Chief Executive Officer’s Report

Ms. Frost reported on the following:

- Preliminary health care rates for 2019
- Second reading of the proposed FY 2018-2019 budget
- Lean management implementation
- Legislative meetings
- Upcoming speech at California State Association of Counties Annual legislative conference

- Upcoming speech at California Special Districts Association legislative conference
- March of Dimes walk for babies
- Susan G. Komen Race for the Future
- Public Service Recognition Week

Ms. Frost recognized the 29 APEX recipients.

The total fund performance for the fiscal year-to-date as of March 31, 2018 is 7.9 percent. The rolling one-year return is 11.1. The three-year return of the total fund is 6.9 percent and the five-year return is 8 percent. The ten-year return is 5.4 percent and the 20-year return of the total fund is 6.2 percent.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- Approval of April 18, 2018 Board of Administration Meeting Minutes
- Board Travel Approvals

On **MOTION** by Theresa Taylor, **SECONDED** by Rob Feckner and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- Board Meeting Calendar
- Draft Agenda for June 20, 2018 Board of Administration Meeting
- General Counsel's Report
- Communications and Stakeholder Relations

AGENDA ITEM 7 – COMMITTEE REPORTS AND ACTIONS

- Investment Committee

Henry Jones, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, May 14, 2018.

Additional information may be found in the May 14, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for June 18, 2018 in Sacramento, California.

- Pension and Health Benefits Committee

Rob Feckner, Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 15, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved to discontinue the Castlight tool for all Preferred Provider Organization (PPO) Basic health plans, effective January 1, 2019. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved the proposed specialist and urgent care copay changes for PERS Choice and PERSCare PPO Basic health plans, effective January 1, 2018. (PHBC Item 5)

Additional information may be found in the May 15, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for June 19, 2018 in Sacramento, California.

c. Finance and Administration Committee

Theresa Taylor, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 15, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the Treasury Management Policy Review. (FAC Item 3b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Treasury Management Reserve Policy Review. (FAC Item 3c)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year (FY) 2018-19 Annual Budget Proposal (Second Reading-Final) in the amount of \$1,680,636,000 and 2,875 positions and approve the transmittal of this agenda item. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board adopted the Transfer Agreement of Membership Benefits to transfer approximately \$4,276,500 of assets to the San Bernardino County Employees Retirement Association (SBCERA). (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved an 18-month contract term extension through December 31, 2019 with Voya Financial, LLC (Voya). (FAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board approved the adoption of a support, if amended position on Senate Bill (SB) 1413 which would authorize CalPERS to implement and administer the California Employers' Pension Prefunding Trust (CEPPT) program in order to encourage public employers to prefund their future pension contributions in an irrevocable Internal Revenue Code (IRC) Section 115 trust. (FAC Item 6d)

On **MOTION** by Committee and **CARRIED**, the Board approved the amended Notice of Election for the 2018 CalPERS Board of Administration State, School, and Public Agency Member elections. (FAC Item 6e)

Additional information may be found in the May 15, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for September 25, 2018 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Bill Slaton, Chair, Performance, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 15, 2018.

On **MOTION** by Committee and **CARRIED**, the Board affirmed the Board of Administration's compensation policy purpose statement as amended by the Committee. (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, the Board approved to modify the Executive Management comparator group to include the British Columbia Investment Management Corporation (BCIMC). (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved to modify the Investment Management comparator group to include BCIMC, University of California Office of the Chief Investment Officer, and other university endowments. (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board adopted a comparator group range between the 25th and 75th percentile of the respective executive and investment comparator groups. (PCTM Item 5)

Additional information may be found in the May 15, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for June 19, 2018 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet.

The next meeting of the Risk and Audit Committee is scheduled for June 19, 2018 in Sacramento, California.

f. Board Governance Committee

Priya Mathur, Chair, Board Governance Committee presented the Committee Summary report to the Board. The Committee met on Monday, May 14, 2018.

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved the proposed revisions to the Board Governance Policy regarding meeting procedures as presented in the agenda item. (GOV Item 3b)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed revision to the Board Governance Policy regarding the "Views Expressed" disclaimer as presented in the agenda item, with the addition of the word "necessarily" as discussed in committee. (GOV Item 3c)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved the proposed revisions to the CEO Delegation Resolution as presented in the agenda item. (GOV Item 5)

Additional information may be found in the May 14, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for August 14, 2018 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

Agenda Item 8o was deferred to June 20, 2018 due to a late filing.

On **MOTION** by Rob Feckner, **SECONDED** by Margaret Brown, and **CARRIED**, with one abstention by Richard Gillihan, the Board approved to bring back Agenda Item 8a for a Full Board Hearing.

On **MOTION** by Rob Feckner, **SECONDED** by Henry Jones, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8b through 8m and 8p through 8s as the Boards own decisions with minor modifications to Agenda Items 8c, 8g, 8j, 8l, 8p and 8r as argued by staff.

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, the Board approved to remand Agenda Item 8n for the taking of additional evidence in light of the current language of subsection (a) of section 21252 of the Public Employees Retirement Law.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Rob Feckner, **SECONDED** by Henry Jones, and **CARRIED**, the Board moved to deny the petitions for reconsideration at Agenda Items 9a though 9e.

AGENDA ITEM 10 – FULL BOARD HEARING FINAL DECISION

- a. Denise C. Patten

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, with one abstention by Henry Jones, the full Board's decision and appeal of Denise Patten as presented by staff as the Board's final decision.

AGENDA ITEM 11 – STATE AND FEDERAL LEGISLATION UPDATE

- a. Brad Pacheco, Communications and Stakeholder Relations Deputy, provided an update on State Legislation.

On **MOTION** by Rob Feckner, **SECONDED** by Richard Costigan, and **CARRIED**, the Board directed the team to accommodate one amendment to Assembly Bill 2196 which would change the proposed effective date to end service credit installment payments from January 1, 2019 to January 1, 2020.

AGENDA ITEM 13 – SUMMARY OF BOARD DIRECTION

The Board directed the team to work with the Board President and Vice-President to document the practice of including two members of the Board in selection processes of key positions. This would be done as Board expectations of its CEO.

AGENDA ITEM 14 – PUBLIC COMMENT

Tim Behrens representing California State Retirees spoke on the importance of the full Board looking at the proposed changes in costs for health care and the proposed changes for the deductibles.

The public meeting adjourned at approximately 9:48 a.m.

Prepared by: KRISTEN GARNER
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 5b
REVISED

May 16, 2018

Item Name: Board Travel Approvals

Program: Board of Administration

Item Type: Action Consent

Recommendation:

Approve travel requests as required under the Board of Administration's travel policy.

Over \$500/Out of State/Country Travel Requests Approved by Board President:

Board Member	Date	Destination	Purpose of Travel
Henry Jones	7/10/18-7/13/18	La Jolla, CA	Attend Pacific Pension Investment Institute Board Meeting & Round Table
Rob Feckner	9/11/18-9/14/18	San Francisco, CA	Attend PRI Meeting
Margaret Brown	10/27/18-10/28/18	Las Vegas, NV	Attend NCPERS

PRIYA MATHUR, President
Board of Administration

May 16, 2018

This is intended as a guide for the Committee Chair. Other than the motions, this need not be read verbatim. The Chair may add context/comment as appropriate.

The Investment Committee met on May 14, 2018.

The Committee approved:

- AGENDA ITEM 5a
To approve the recommended strategic asset allocation for the following Affiliate Funds: The Legislators' Retirement System Fund, Judges' Retirement System Fund, Judges' Retirement System II Fund, and the California Employers' Retiree Benefit Trust Fund.

The Committee received a report on:

- The first reading of the Revision of the Total Fund Policy

The Chair directed staff to do the following:

- To provide the Committee with the impact on the discount rate on contributions to the Legislator's Retirement System.
- In June, bring back information on the use of prudent person opinions across the private asset classes as part of the second reading of the Total Fund Policy Revision.
- In June, bring back language to more clearly explain Board and staff responsibility for the ownership of the investment beliefs and a suggested frequency for review in the second reading of the Total Fund Policy Revision.

The Committee heard public comments on the following topics:

- Risk tolerance and market growth
- The funded status, corporate governance, and divestment policies
- The investment beliefs and the Public Employees Retirement Fund

At this time, I would like to share some highlights of what to expect at the June Investment Committee meeting:

- A review of the Affiliate Trust Asset Allocation for the Long-Term Care and Health Care Funds
- The second reading of the Revision of the Total Fund Policy
- The first reading of the Revision of the Private Equity Program Policy and
- The CalPERS for California and California Initiative

The next meeting of the Investment Committee is scheduled for June 18, 2018, in Sacramento, California.